

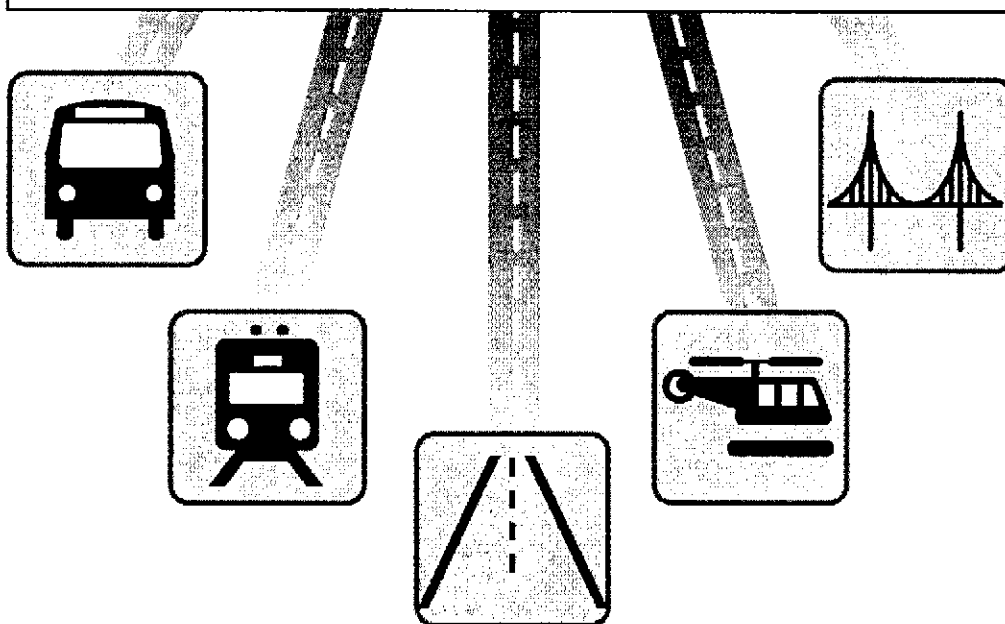


DEPARTMENT OF TRANSPORTATION

REVISED

**ADENDUM to the
1998 STIP FUND ESTIMATE**

**Adopted by
California Transportation Commission
January 14-15, 1999**



**Prepared by Department of Transportation
Business, Transportation And Housing Agency**

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STATE TRANSPORTATION IMPROVEMENT PROGRAM
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**ADENDUM TO THE
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REVISED 1998 FUND ESTIMATE**

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BACKGROUND

The Commission adopted the 1998 Fund Estimate in January 1998. The adopted 1998 Fund Estimate indicated new programming capacity of \$4.6 billion, based on the assumption that there would be a significant increase in federal funds when the new federal transportation act was signed. The 1998 STIP was adopted in June 1998.

Subsequent to adoption of the 1998 STIP, the President signed the Federal Transportation Efficiency Act for the 21st Century (TEA-21). The new act provides for federal funds above what was previously included in the 1998 Fund Estimate. The Commission, at its August 1998 meeting, stated its intent to pursue an amendment to the 1998 STIP to program these additional resources. This requires development of revised fund estimates for the State Highway Account and the Public Transportation Account.

STATE HIGHWAY ACCOUNT

The revised fund estimate indicates programming capacity of \$1,689 million over the 1998 Fund Estimate adopted by the Commission January 15, 1998 (Appendix A).

The following factors generated the additional programming capacity in the Revised Fund Estimate:

- Additional federal revenue.
- Additional state revenue.
- A reduction in the reserves.
- A reduction in the expenditures for Local Assistance, SHOPP, and STIP by converting from a programming level to a cash expenditure level.

\$ in Millions	Revised 1998 FE
Changes to 1998 Fund Estimate:	
> Additional Federal Revenue	\$ 788
> Additional State Revenue	60
> A Reduction in the Reserves	100
> A Reduction in Expenditures (conversion from pgm level to cash level)	741
These changes resulted in additional programming capacity	\$ 1,689

Development of a Revised Fund Estimate:

1. The passage of TEA-21 generated about \$1,600 million more in Federal funding over the previous estimates. At least half of this went directly to local agencies through the Local Assistance subventions. The balance added about \$788 million of new programming capacity.

Impact of TEA 21 to the Adopted 1998 Fund Estimate (\$ in Millions)							
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Total
TEA 21 Impact on New Programming	\$137	\$124	\$127	\$124	\$130	\$146	\$788

2. The remainder of the increased program capacity is due to changes in the major assumptions that went into development of the Revised Fund Estimate.

Major Assumptions:

There are a number of assumptions that were made in developing the revised 1998 Fund Estimate. The key assumptions are as follows:

- Use the 1998-99 beginning cash balance of \$1,798 million.
- Use the OA level of 90.5% for the years covered by the TEA-21 period and the increased level of Federal funds.
- Update the 1998 Fund Estimate with current numbers. The growth rate in fuel taxes and for truck weight fees over the six-year period continues to be about 2.2 percent annually.
- Assume the escalation rates are the same as the adopted 1998 Fund Estimate at 2.2 percent.
- Update the 1998 Fund Estimate with the most current expenditure numbers which includes:
 - The signed Budget Act for FY 1998-99.
 - Program specific historical cash expenditure rates for the Adopted 1998 SHOPP and the Adopted 1998 STIP projects.
 - Assumed project “savings” from SHOPP and STIP programmed levels to actual contract award amounts will continue.
- Adjust the cash expenditure rate for Local Assistance projects from expending programming capacity all in the year programmed to reflect historical trends.
- Assume a Reservation for Economic Uncertainties of \$100 million over the 6-year period.
- Take TEA expenditures “off-the-top” in calculating the available programming.
- “Short-Term” reservations are included as programmed in the Revised 1998 Fund Estimate calculation with cash expenditures spread on a 20%-50%-30% basis.
- Unprogrammed “Long-Term” reservations from the adopted 1998 STIP will be deducted before calculating the county shares.
- The 1998 Fund Estimate reflected the State and Local Transportation Partnership Program (SLTPP) on a “programming” basis. The revised 1998 Fund Estimate reflects SLTPP on a cash expenditure basis.

The new program capacity of \$1,689 million includes any unprogrammed reserves from the adopted 1998 STIP. These reserves are deducted before calculating County Shares (Appendix C).

PUBLIC TRANSPORTATION ACCOUNT

The revised PTA fund estimate indicates a lack of new programming capacity over the six year fund estimate period. The lack of new programming capacity is consistent with the 1998 Fund Estimate adopted by the Commission January 15, 1998; however, the projected deficit was reduced by approximately \$25 million. The following changes have occurred since the adoption of the 1998 PTA fund estimate:

- During the Governor's May Revise of the 1998-99 Proposed Budget, the Department of Finance revised the Proposition 111 and diesel tax revenue projections resulting in a drastic revenue reduction of \$217.9 million.
- Calculation of the interest revenue is now based on the ending cash balance using a 5.63 percent interest rate equal to the most current Surplus Money Investment Rate supplied by the State Controller's Office. This change results in a \$26.5 million reduction revenue proposed assumption.
- Repayment of the \$91.5 million loan to the General Fund plus interest occurred in fiscal year 1998-99. Of the \$21.5 million in repaid interest, \$14.361 million is being used to hold State Transit Assistance harmless in fiscal year 1998-99 for the reduction in diesel tax revenue.
- Pursuant to Senate Bill 60, savings in the State and Local Transportation Partnership Program (SLTPP) can be used to offset the total PTA contribution to the Toll Bridge Seismic Retrofit Account (TBSRA). Preliminary estimates indicate an additional \$20 million savings in the SLTPP; thereby reducing the total PTA contribution to the TBSRA to \$80 million of which \$50 million is reflected in the fund estimate period.
- The contribution schedule from the PTA to the TBSRA has been modified to reflect the offset of savings from the SLTPP.
- The adopted fiscal year 1998-99 budget reflects a reduction in expenditures.
- The Department of Finance has stated they would not support the funding of the Highspeed Rail Authority from the PTA beyond its sunset date of December 31, 2000.
- The proposed Intercity Rail expansion plan has been modified.

Major Assumptions:

Due to these changes, the following assumptions were used to prepare the Revised 1998 PTA Fund Estimate:

- All revenue projections are based on the Department of Finance's most current revenue projections.
- Update the PTA revenues with the General Fund loan repayment and direct \$14.5 million of the loan repayment to the State Transit Assistance program.
- Adjust the PTA contribution to the TBSRA to reflect the additional savings in the State and Local Transportation Partnership Program.
- Update expenditures for current trends, legislative actions, Department and CTC actions, and the sunseting of the Highspeed Rail Authority. This action would include the utilization of the 1998-99 fiscal year as the base year.
- Transfer SHA funds of \$28 million for transit capital improvement projects eligible for Article 19 funding.

OUTSTANDING ISSUES

Several events have transpired that have a potential impact on the programming capacity presented in the Revised 1998 Fund Estimate (FE). The impacts of these issues have **not** been incorporated in the Revised 1998 FE. The issues include:

1. A court hearing was held on December 18, 1998 to consider the legality of past transfers from the State Highway Account (SHA) and the Motor Vehicle Account (MVA) to the State's General Fund. The court ruled that portions of these transfers that occurred over a 3-year period were not legal.
 - a. A transfer in 1993 of \$30.7 million from the SHA to the GF was not legal and an order will be prepared to reverse that transfer.
 - b. Transfers totaling \$130.9 million from the MVA to the General Fund during the period of 1993 through 1995 was also ruled illegal.
 - c. The court did not rule on \$130 million diverted from the SHA to replace the MVA funds transferred to the General Fund. A March 1999 hearing date is set to rule on these transfers.

It is not known at this time when these funds will actually be paid back or whether interest will be assessed.

2. The Federal Highway Administration (FHWA) under the TEA-21 revised the method of distribution of Obligation Authority (OA). The Revised 1998 FE anticipated a general OA level of 90.5%. Actual OA distribution by FHWA will vary by category. Obligation Authority is at 100% for some categories, such as a portion of the Minimum Guarantee (MG) Funds, while it is 88.3% for other categories, and 87.3% for even others.

The FE anticipated \$2.083 billion of OA for the 1998-99 Federal Fiscal Year (FFY) split \$1.333 billion for SHOPP and STIP projects, and \$750 million for the Local Assistance program. FHWA OA distribution to date has provided \$1.291 billion for SHOPP and STIP projects (about \$42 million below the FE expectations for the 1998-99 FFY), and \$726 million for Local Agency projects (about \$24 million less than expected). However, California typically receives over \$30 million in the August redistribution of OA.

3. TEA-21 provided additional Safety Grant funding (safety incentive program funds) to States that enact and enforce 0.08 Blood Alcohol Content (BAC) laws. California qualifies for and receives these funds.

The current Fund Estimate anticipated that funds received under this program would be available for STIP and SHOPP programming. However, the Business, Transportation and Housing Agency (Agency) has directed these funds to projects that enhance compliance with the BAC laws. The Caltrans Director and the Office of Traffic Safety will annually develop a plan for allocating the Safety Grant funds. The plan must be submitted to the Agency Secretary for approval.

It is not known to what extent these funds will be used for non-construction projects. The FE could be impacted up to \$ 16 million per year if construction projects are not included in the project selection.

These issues have an impact on the programming capacity presented in the Revised 1998 FE. However, there is insufficient information available at this time to definitively assess the magnitude of change in the programming capacity available for the STIP. These issues will be addressed as we develop the 2000 STIP Fund Estimate that is due in draft to the Commission by July 1999.

COUNTY AND INTERRREGIONAL SHARES (STIP)
- 1998 STIP Fund Estimate Amendment -

County Shares have been amended to include the additional programming capacity reflected in the Revised 1998 STIP Fund Estimate. The new program capacity of \$1,689 million includes any unprogrammed reserves from the adopted 1998 STIP. These reserves are deducted before calculating County and Interregional Shares (Appendix C).

Appendix A

Fund Estimate Detail

STATE HIGHWAY ACCOUNT

STATE HIGHWAY ACCOUNT								
ADOPTED REVISED 1998								
STIP FUND ESTIMATE								
(\$ millions)								
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Adopted Revised 98 FE Total	Adopted Jan-98 6-Year FE Total
RESOURCES	\$5,076	\$4,993	\$4,931	\$4,942	\$4,865	\$5,085	\$29,892	\$28,085
STATE OPERATIONS								
State Operations	(\$1,038)	(\$1,061)	(\$1,084)	(\$1,108)	(\$1,132)	(\$1,157)	(\$6,581)	(\$6,614)
State Planning & Research	(39)	(44)	(45)	(46)	(46)	(47)	(\$268)	(\$211)
State Operations		(\$1,105)	(\$1,129)	(\$1,154)	(\$1,179)	(\$1,205)	(\$6,849)	(\$6,826)
SHOPP								
SHOPP/TEA	(\$541)	(\$702)	(\$775)	(\$714)	(\$721)	(\$746)	(\$4,199)	(\$5,140)
Minor	(70)	(84)	(85)	(87)	(88)	(89)	(\$504)	(\$426)
Total SHOPP Plan	(\$611)	(\$786)	(\$860)	(\$801)	(\$809)	(\$835)	(\$4,703)	(\$5,566)
SHOPP - support	(\$262)	(\$250)	(\$253)	(\$267)	(\$258)	(\$250)	(\$1,540)	(\$1,723)
Minor - support	(\$56)	(\$60)	(\$60)	(\$60)	(\$60)	(\$60)	(\$356)	(\$368)
Support - SHOPP/Minor	(\$318)	(\$310)	(\$313)	(\$327)	(\$318)	(\$310)	(\$1,896)	(\$2,091)
LOCAL ASSISTANCE								
Local Assistance/TEA	(\$820)	(\$836)	(\$859)	(\$871)	(\$880)	(\$880)	(\$5,147)	(\$4,348)
NON-STIP C/O								
State/Local Partnership	(\$200)	(\$130)	(\$40)	(\$10)	\$0	\$0	(\$380)	(\$200)
TSM	(\$36)	(\$6)	\$0	\$0	\$0	\$0	(\$42)	\$0
EEM/TEA	(\$17)	(\$17)	(\$18)	(\$8)	(\$8)	(\$8)	(\$76)	(\$30)
Total SLPP & TSM	(\$253)	(\$154)	(\$58)	(\$18)	(\$8)	(\$8)	(\$499)	(\$230)
CMAQ & STP - support	(\$18)	(\$20)	(\$10)	(\$14)	(\$9)	(\$8)	(\$79)	(\$90)
OWNER OPERATOR								
Partnership - support	(\$29)	(\$27)	(\$26)	(\$21)	(\$20)	(\$18)	(\$141)	(\$141)
Owner Operator - support	(68)	(70)	(70)	(70)	(70)	(70)	(\$418)	(\$483)
Support - Owner Operator	(\$97)	(\$97)	(\$96)	(\$91)	(\$90)	(\$88)	(\$559)	(\$624)
AVAILABLE FOR PROGRAM	\$1,881	\$1,685	\$1,606	\$1,665	\$1,571	\$1,751	\$10,160	(\$8,310)
1998 STIP C/O Commitments:								
STIP Highway	(\$564)	(\$657)	(\$767)	(\$737)	(\$634)	(\$605)	(\$3,965)	(\$1,746)
STIP Transit (RAIL & Mass Trans)	(\$265)	(\$253)	(\$291)	(\$312)	(\$314)	(\$260)	(\$1,694)	(\$564)
STIP Right of Way	(\$181)	(\$209)	(\$199)	(\$207)	(\$123)	(\$72)	(\$991)	(\$387)
STIP TEA							\$0	(\$26)
Total STIP C/O Commitments	(\$1,010)	(\$1,119)	(\$1,257)	(\$1,256)	(\$1,072)	(\$937)	(\$6,650)	(\$2,723)
1998 STIP - support	(\$303)	(\$295)	(\$294)	(\$283)	(\$289)	(\$196)	(\$1,660)	(\$764)
Support - STIP	(\$303)	(\$295)	(\$294)	(\$283)	(\$289)	(\$196)	(\$1,660)	(\$764)
RESERVES								
Economic Uncertainties & Right of Way	(\$17)	(\$17)	(\$17)	(\$17)	(\$17)	(\$17)	(\$100)	(\$200)
STIP "Short-Term" Reservation	(\$4)	(\$19)	(\$26)	(\$12)	\$	\$	(\$61)	\$0
TOTAL PGM COMMITMENTS	(\$1,334)	(\$1,449)	(\$1,594)	(\$1,567)	(\$1,377)	(\$1,149)	(\$8,471)	(\$3,687)
AVAILABLE FOR ADDITIONAL PROGRAMMING ¹	\$547	\$235	\$12	\$98	\$194	\$602	\$1,689	\$4,623
Adjustment to Program Capacity ²							(\$149)	
New Funds available for Programming							\$1,540	

¹ Includes unprogrammed Reserves from adopted 98 STIP that will be deducted before calculating County Shares.

² Includes Reserves, Advances, Savings in addition to TEA Transfer, see County Shares Attachment

Appendix B

Fund Estimate Detail

**PUBLIC
TRANSPORTATION
ACCOUNT**

REVISED**PUBLIC TRANSPORTATION ACCOUNT****ADOPTED REVISED 1998 STIP FUND ESTIMATE**
(\$ in thousands)**Adopted**

	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	Adopted Revised 98 FE TOTAL	ADOPTED JAN. 98 6-YEAR FE TOTAL
RESOURCES									
Beginning Reserve	\$32,118	\$22,089						\$22,089	\$17,616
Sales Tax On Gasoline-Spillover	0	0	0	0	0	0	0	0	0
Sales Tax On Gasoline-Prop 111	58,523	60,095	61,297	62,523	63,773	65,049	66,350	379,087	447,073
Sales Tax On Diesel	123,500	111,700	114,000	116,300	118,600	121,000	123,400	705,000	855,000
Transfer to PVEA	(5,137)	(470)	(321)	0	0	0	0	(791)	0
Transfer to Toll Bridge Retrofit Account	0	(10,000)	0	0	0	(15,000)	(25,000)	(50,000)	-70,000
Payable to SHA	0	0	0	0	0	0	0	0	0
Repayment of GF Loan		113,000						113,000	0
Interest (SMIF)	4,897	6,070	6,327	4,990	3,716	1,814	0	22,918	42,000
Transfer from SHA for 97-98 TCI	11,741	30,510	28,040	0	0	0	0	58,550	30,510
Transfer from State Highway Account	14,100	13,470	12,800	13,000	13,300	13,600	13,900	80,070	85,000
TOTAL RESOURCES	\$239,742	\$346,464	\$222,143	\$196,813	\$199,389	\$186,463	\$178,650	\$1,329,922	\$1,407,199
STATE TRANSIT ASSISTANCE	\$84,800	\$100,259	\$87,648	\$89,411	\$91,187	\$93,024	\$94,875	\$556,404	\$651,036
Reserve for Economic Uncertainties - Beginning Balance		\$8,590						\$8,590	
Reserve for Economic Uncertainties - Change			\$175	\$176	\$178	\$184	\$185	\$898	11,681
AVAILABLE FOR PROGRAM	\$154,942	\$237,616	\$134,320	\$107,225	\$108,025	\$93,255	\$83,590	\$764,030	\$754,103
SUPPORT COSTS									
Rail & Mass Trans Staff & Support	\$15,290	\$17,750	\$18,140	\$18,540	\$18,950	\$19,370	\$19,800	\$112,550	\$112,550
Planning Staff & Support	8,531	11,331	11,580	11,830	12,090	12,360	12,630	71,821	78,290
Administration & Technical Services	1,806	1,850	1,890	1,930	1,970	2,010	2,050	11,700	11,640
California Transportation Commission	1,283	1,261	1,290	1,320	1,350	1,380	1,410	8,011	8,310
Public Utilities Commission	2,412	2,403	2,460	2,510	2,570	2,630	2,690	15,263	15,670
High-Speed Rail Authority	1,492	3,000	3,000	3,000	0	0	0	9,000	18,000
Institute of Transportation Studies	956	956	956	956	956	956	956	5,736	5,736
TOTAL SUPPORT	\$31,770	\$38,551	\$39,316	\$40,086	\$37,886	\$38,706	\$39,536	\$234,081	\$250,196
COMMITTED PROGRAM									
• Prior Years Commitment to the Transit Capital Improvement (TCI) Program	\$7,295	\$14,800	\$14,800	\$7,400	\$0	\$0	\$0	\$37,000	\$25,857
• 1997-98 TCI Program	12,800	12,800	12,800	12,800	12,800	0	0	51,200	56,200
• \$30 M SHA Payable Adjustment	30,000	0	0	0	0	0	0	0	0
• Intercity Rail & Bus Operations - Base	50,988	63,642	62,842	62,842	62,842	62,842	62,842	377,852	0
• Intercity Rail & Bus Operations - New Service		0	0	7,850	17,133	25,474	25,474	75,931	458,945
TOTAL COMMITTED PROGRAM	\$101,083	\$91,242	\$90,442	\$90,892	\$92,775	\$88,316	\$88,316	\$541,983	\$541,002
FUNDS AVAILABLE FOR PROGRAMMING	\$22,089	\$107,823	\$4,562	(\$23,753)	(\$22,636)	(\$33,767)	(\$44,262)	(\$12,034)	(\$37,095)
CUMULATIVE TOTAL		\$107,823	\$112,385	\$88,632	\$65,996	\$32,229	(\$12,034)		

Appendix C

1998 STIP FUND ESTIMATE AMENDMENT

County and Interregional Shares (STIP)